FISCAL NOTE

Bill #: SB0093 **Title:** Investment tax credit

Primary Sponsor: Kitzenberg, S **Status:** As Introduced

Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary	**FY 2004 Difference**	**FY 2005 Difference**
Expenditures:		
General Fund		$58,004
Revenue:		
General Fund		$(5,789,000)
Net Impact on General Fund Balance:		$(5,847,004)

☐ Significant Local Gov. Impact

☐ Included in the Executive Budget

☐ Dedicated Revenue Form Attached

☐ Technical Concerns

☒ Significant Long-Term Impacts

☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. For tax years beginning after December 31, 2003, this bill would allow a credit against personal income tax or corporate license tax of 3% of qualified investment expenditures with a limit of 45% of the taxpayer's tax liability.
2. The state of Idaho has an investment credit nearly identical to the one proposed in SB93. In Idaho, taxpayers are allowed an investment credit of 3% of qualified investments (the same property as in this bill) up to 50% of the taxpayer's liability, with a 7-year carryover period. (The SB93 proposal differs in that the taxpayer may not claim a credit greater than 45% of liability.)
3. In Idaho, over the period 1997 to 2001, corporations claimed an annual average of $24.6 million in investment credits, and individuals claimed an annual average of $8.7 million in investment credits.
4. The 1997 economic census reports capital expenditures for selected industries. Reported capital expenditures in Montana were 36% of capital expenditures in Idaho.
5. The ratio of investment tax credit claimed in Montana to that claimed in Idaho will be the same as the ratio of capital expenditures in Montana to capital expenditures in Idaho. Individuals will claim investment tax credits of $3.132 million each tax year (36% x $8.7 million) and corporations will claim credits of $8.856 million each tax year (36% x $24.6 million).
6. Credits against individual income tax would first be claimed on returns for tax year 2004, filed during fiscal 2005. A full year's worth of credits would be claimed, reducing income tax revenue in fiscal 2005 by $3.132 million.

7. For 30% of corporations, returns for the first tax year when this credit could be claimed would be filed in May and June of 2005. For 70% of corporations, the first return when this credit could be claimed would not be filed until fiscal 2006. Corporation license tax revenue in fiscal 2005 would be reduced by $2.657 million (30% x $8.856 million).
8. General fund revenue in fiscal 2005 would be reduced by $5.789 million ($3.132 million + $2.657 million).
9. Because of the significance of this credit, the Department of Revenue would require an additional ½ FTE for individual income tax compliance work and an additional ½ FTE for corporation license tax compliance work beginning in fiscal 2005. The additional cost in fiscal 2005 would be $58,004. No changes to the department's computer systems would be required.

FISCAL IMPACT:

	FY 2004 Difference	FY 2005 Difference
FTE		1.00
Expenditures:		
Personal Services		$40,446
Operating Expenses		$5,958
Equipment		$11,600
TOTAL		$58,004
Funding of Expenditures:		
General Fund (01)		$58,004
Revenues:		
General Fund (01)		$(5,789,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)		$(5,847,004)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
None

LONG-RANGE IMPACTS:
Fiscal 2006 is the first fiscal year when the full impact of the credit on corporation license tax would be felt. Credits claimed in Fiscal 2006 and following years will be $11.988 ($3.132 million against individual income tax and $8.856 million against corporation license tax).